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82-831

No.

In the Supreme Court

OF THE

United States

OCTOBER TERM, 1982

BRUCE A. KOCK,

Petitioner,

VS.

THE QUAKER OATS COMPANY, et al.,

Respondents.

Petition For A Writ Of Certiorari to the United States Court of Appeals for the Ninth Circuit

SIDNEY F. DEGOFF
100 Bush Street, 20th Floor
San Francisco, CA 94104
Telephone: (415) 421-2345
Counsel for Petitioner

BOWNE OF SAN FRANCISCO, INC. • 190 NINTH ST. • S.F., CA 94103 • (415) 864-2300

QUESTIONS PRESENTED

1. Was Kock's invention on sale in this country more than one year prior to the date of his application for a patent in the United States?

2. Did the agreements between Kock, as the inventor, and Merry Manufacturing Company ("Merry") for the development of a new mechanical watch movement and the sale to Merry for testing and experimenting with a prototype under the terms of secrecy constitute a public use or sale within the meaning of 35 U.S.C. § 102(b)?

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Petition For A Writ Of Certiorari to the United States Court of Appeals for the Ninth Circuit

The petitioner, Bruce A. Kock, respectfully prays that a writ of certiorari issue to review the judgment and opinion of the United States Court of Appeals for the Ninth Circuit entered in this proceeding on July 15, 1982.

OPINION BELOW

The majority opinion of the Court of Appeals and dissenting opinion are reported in 681 F.2d 649, and for convenience appear in the appendix hereto.

JURISDICTION

The judgment of the Court of Appeals for the Ninth Circuit was entered on July 15, 1982. A timely petition for

rehearing was denied on August 23, 1982, and this petition for certiorari was filed within ninety days of that date.

Jurisdiction of the case originally arose under the provisions of Title 35, Section 281 and Title 28, Section 1338, United States Code.

Jurisdiction over the appeal arose under the provisions of Title 28, Section 1291, United States Code.

Jurisdiction over this petition arises under the provisions of Title 28, Section 1254(1), United States Code.

PARTIES

The sole party plaintiff is Bruce A. Kock.

The parties defendant are:

Quaker Oats Co., a New Jersey corporation
Disney (Walt) Productions, a California corporation
F. W. Woolworth, Inc., a New York corporation
Marcor, a Delaware corporation
Dunbee-Combex-Marx, a British corporation
Aurora Products Co., a New York corporation
Louis A. Marx, an individual
GLJ Toy Co., a New York corporation
Lash Tamoran Distributors, a New York corporation
Emporium-Capwell Co., a California corporation
Sears Roebuck Co., a New York corporation
Long's Drug Stores, Inc., a California corporation

STATUTORY PROVISIONS INVOLVED

United States Code, Title 35, § 102(b), provides in part:

> "A person shall be entitled to a patent unless . . . (b) the invention was . . . in public use or on sale in this country, more than one year prior to the date of the application for a patent in the United States."

STATEMENT OF THE CASE

On September 15, 1966 Kock entered into a written letter agreement with Merry Manufacturing Company to develop a toy watch movement exclusively for and satisfactory to Merry. The performance requirements of the inventions were:

1. Keep time to 10% accuracy;
2. Make noise or tick when running;
3. Run for one hour or more per winding;
4. Have resettable hands;
5. Easy assembly.

In addition, the commercial (cost) requirements were:

6. Capable of production at Merry's normal profit level of 30%;
7. Cost of movement must complete watch to retail for $1.00, with 50% plus 10% discount to toy trade.

At the time of the letter agreement, Kock received $1,000.00 to cover a portion of the projected out-of-pocket costs to build the model.

Kock completed the model in approximately ninety days after September 15, 1966. On January 10, 1967 he described it in confidence to his patent attorney.

On April 28, 1967 he revealed the model for the first time to Merry for whom he had developed the movement under exclusive contract, and entered into a written contract with Merry. Although couched in terms of "sale", the model was delivered to Merry to be kept secret pursuant to the initial development letter agreement for experimental purposes and to determine whether it met Merry's performance and cost criteria.

Under the terms of the April 28, 1967 agreement, Merry for whom the watch had been exclusively developed, accepted the model for research and study, and Kock also continued to work on the invention's final form. At the time he intended to use a plastic liquid piston-cylinder in the power train, but the idea was not successful and the proposed change was abandoned. Under the manufacturing agreement executed contemporaneously with the delivery of the model to Merry, Merry paid Kock $1,500.00 to cover additional development costs and agreed to determine within ninety days thereafter whether the invention conformed to its criteria. Merry further agreed to report back to Kock all improvements and changes in design made by it as a result of its testing and experimentation. After a delay of more than ninety days, Merry accepted the invention, and paid Kock $1,800.00 as an advance against royalties to be earned from commercial sales and exploitation of the model. This payment was made long after the critical date.

The first public or trade sale of the invention was made by Merry during the quarter beginning April 13, 1970 and ending April 26, 1970, reported to Kock in his first royalty report.

The written agreement of April 28, 1967 further provided for the payment of a 3% royalty to Kock in the event Merry put the watch into production. Merry was to patent the watch in Kock's name at its sole cost. However, Kock was not satisfied with the patent application required to be submitted by Merry to him, and retained his own patent attorney to complete the application. Under the terms of the agreement, in such event, Kock reserved title to the invention and patent application.

The suit patent was duly filed in the Patent Office on May 2, 1968. The critical date is, therefore, May 2, 1967.

On these facts, which must be accepted as true, the District Court granted a summary judgment against petitioner, which was affirmed on appeal, with a dissenting opinion.

REASONS FOR GRANTING THE WRIT

The decision of the District Court was based on the court's misunderstanding of the holding in *Robbins v. Lawrence* (9th Cir.) 482 F.2d 426 (1973), which the court believed controlled this case. In granting summary judgment against petitioner, the District Court said that "a sale precludes any inquiry into the experimental nature of the sale unless the contract of sale contains an express or clearly implied condition, that the sale is made primarily for experimental use."

The foregoing reasoning was repudiated by the Court of Appeals, which nevertheless inconsistently affirmed the summary judgment. In rejecting the reasoning of the District Court, the Court of Appeals said:

> "In this case, the affidavits of the inventor in opposition to summary judgment stated that:
>
> 'When I sold the prototype to Merry, it was for research and study. We did not know at the time that the protoype would be in its final form. It was only after considerable study and work on my part, and research on Merry's part, that the prototype was adopted as the final form of the toy watch that would be offered for sale to the public.'
>
> This would support the view that Kock's purpose in transferring the invention to Merry was to see if the invention could be improved, or if it was worth patenting in its present form."

The Court of Appeals, however, affirmed the judgment on the grounds that regardless of the purpose of the "sale", Merry had the right of immediate commercial exploitation, and thus the transaction between Kock and Merry was a public sale. This issue was neither urged, briefed nor argued by any party, and as we shall demonstrate is unsupported by and in conflict with decisions in most of the circuits, and requires a decision by this court to secure uniformity.

The decision in this case, if it is allowed to remain the law, will discourage and frustrate an independent inventor who seeks to market his invention, test its merits and reap the rewards of his invention.

Whether a sale has an experimental purpose depends on the totality of evidence presented by the parties to the transaction, the nature of the acts performed prior to the contract date, and the motivation therefor. *Cataphote Corporation v. DeSoto Chemical Coatings, Inc.* (9th Cir.) 356 F.2d 24, 26, cert. denied, 385 U.S. 832 (1966). These factors include the following:

(a) conditions placed on sale, *Robbins v. Lawrence* (9th Cir.) 482 F.2d 426, 432;

(b) requirement for further product testing, *Amerio Contact Plate Freezers, Inc. v. Belt-Ice Corp.* (9th Cir.) 316 F.2d 459, 464, cert. denied, 373 U.S. 902 (1963);

(c) inventor's intent that transfer be for experimentation, *In Re. Yarn Processing Patent Validity Litigation* (5th Cir.) 498 F.2d 271, 288, cert. denied, 419 U.S. 1057 (1974);

(d) requirement of confidentiality, *Ajem Laboratories, Inc. v. C. M. Ladd* (6th Cir.) 424 F.2d 1124, 1125-6, cert. denied, 400 U.S. 830 (1970);

(e) further experimentation on the invention, *Del Mar Engineering v. Physio-tronics* (9th Cir.) 642 F.2d 1167, 1169;

(f) commercial motive secondary to the experimental or testing motive, *Pickering v. Holman* (9th Cir.) 459 F.2d 403;

(g) reports to the inventor on transferee's use or test of the invention, *Robbins v. Lawrence, supra.*

All of these factors existed in this case. The April 28th agreement required Merry to notify Kock of all improvements and design changes and secure his approval of the patent application. The transfer mandated secrecy. The product, an unmarketable prototype, had not been tested to verify that it was operable and commercially marketable. Merry had ninety days to test the product, and accept it for commercial production. The transfer was to test the feasibility of commercial production, and to improve the invention. The payments received by Kock merely reimbursed him for a portion of his out-of-pocket expenses and were incidental. Kock received no purchase price, only reimbursement for some expenses, and an advance royalty to be earned if the invention were commercially produced and the product sold to the public. What Kock received was minor compared to the eventual profits he hoped to gain from royalties generated by the sale of the actual product.

The invention was created exclusively for Merry to meet its specific requirements and criteria. Merry and Kock constituted a production entity. Any transfer within such entity does not constitute a sale under Section 102(b). *Baker-Commack Hosiery Mills, Inc. v. Davis Co.* (4th Cir.) 181 F.2d 550, 558, cert. denied, 340 U.S. 824 (1950); *Jack*

Winter, Inc. v. Koratron Company, Inc. (N.D. Cal. 1974) 375 F.Supp. 1, Supp. Ob. 409 F.Supp. 1019 (1976).

Moreover, Kock was required to act as a consultant during Merry's ninety-day testing period, and to furnish additional prototypes if required.

There was no unconditional sale of the invention or prototype to Merry, nor did the transaction create any opportunity for public use.

Merry did not accept the movement for commercial production for more than ninety days after it was delivered to Merry, until Merry had completely tested it. Kock applied for a patent within one year of that date.

The majority opinion is based upon an asserted principle of law which misinterprets a decision of this court.

The majority states:

> "[i]t is not, however, enough that an inventor demonstrates by objective evidence that further experiment was necessary and was in fact performed by the transferee. To avoid the on-sale bar, the inventor must further show that the transferee lacked authority to use and invention or exploit its commercial value."

In enunciating this rule, the majority relied most heavily on the classic and leading case of *City of Elizabeth v. American Nicholson Pavement Co.*, 97 U.S. 126 (1878) which the majority interprets to hold "that tests made by one other than the inventor must be under his direction if there is to be an experimental purpose."

The foregoing, we respectfully submit, is an inaccurate reading of *City of Elizabeth*, and if allowed to stand, will undermine the law of patents painstakingly established in a multitude of decisions to protect and encourage inventions.

The court in *City of Elizabeth* simply noted that when experiments are under the inventor's direction, no public use occurs. It does not logically follow that where experiments are outside the inventor's direction, that a public use necessarily occurs. In fact, such a rule would be unrealistic and impractical, especially where an independent and impecunious inventor seeks the aid of a well-financed organization, with its own superior testing facilities, to develop and exploit his invention. Since most contracts between independent inventors and companies with their own testing laboratories provide for the right to test an invention without let or interference from the inventor, every such transaction would, under the majority's interpretation, be a public sale. Patent laws to protect the inventor would be undermined and subverted. American ingenuity would be unfairly penalized. Industrial innovation and technology are responsible for 23 percent of all new jobs. Winning technologies should, therefore, become the chief focus of state and federal administrative, legislative and judicial policies to encourage innovation and invention by strengthening patent policies, not weakening or destroying them.

CONCLUSION

For all of the foregoing reasons, a writ of certiorari should issue to review the judgment and opinion of the Ninth Circuit.

Respectfully submitted,

SIDNEY F. DEGOFF
Counsel for Petitioner

November , 1982

(Appendix follows)

Appendix

United States Court of Appeals
For the Ninth Circuit

No. 80-4072
D.C. No. C78-1254-SAW

Bruce A. Kock
Plaintiff-Appellant,

vs.

The Quaker Oats Company, et al.,
Defendants-Appellees.

[Filed July 15, 1982]

OPINION

Appeal from the United States District Court
for the Northern District of California

Honorable Owen E. Woodruff, Jr.,

United States Magistrate, Presiding (By Stipulation)
Argued and Submitted: November 12, 1981

Before: Wallace, Kennedy, and Pregerson, Circuit Judges.

Kennedy, Circuit Judge:

The appeal comes from a patent infringement suit where the trial court, within the confines of a summary judgment motion, determined the patent invalid. The court ruled that 35 U.S.C. § 102(b) (1976) operates to invalidate the patent because the invention had been on sale for longer than one year before the date of the patent application. All concede that certain rights to the invention were transferred by an agreement executed more than a year before the patent application. The inventor argues that the transfer was for

an experimental purpose and so not within the bar of the cited statute, while the defendant in the infringement suit argues the contract was a sale not limited to that purpose. We agree that summary judgment must be entered for the defendant below based on the cited statute, although on reasoning somewhat different from that of the court below, and we affirm.

Bruce A. Kock, the inventor in this case, was the plaintiff below and is appellant here. Kock undertook a project for Merry Manufacturing Company (Merry). Kock was to be paid one thousand dollars "for the development and building of one working prototype toy watch movement, exclusively for Merry Manufacturing Company." The toy watch had to be accurate, tick when running, run for one hour per winding, be easily assembled, and be marketable at one dollar retail, allowing for a thirty percent profit margin.

Kock came up with a prototype he thought met these specifications. On April 28, 1967, Kock and the Company signed the agreement here in question.[1] One clause states,

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[1]The relevant provisions of the contract state:

"1. The INVENTOR hereby sells, assigns, and transfers all rights to his novelty toy watch movement and any invention embodied therein to the COMPANY.

"2. At the time of execution of this agreement, the INVENTOR shall deliver to the company the working prototype toy watch movement developed in accordance with the letter agreement, and the COMPANY shall pay to the INVENTOR the sum of [$1,500]. The COMPANY shall pay to the INVENTOR the sum of [$1,000] for each subsequent watch movement requested of INVENTOR by the COMPANY, but the inventor shall not be obligated to supply any such additional movements.

"The INVENTOR hereby sells, assigns and transfers all rights to his novelty toy watch movement and any invention embodied therein to the [Merry] COMPANY." The agreement supplies the basis for the contention of the alleged patent infringers that the patent was void under section 102(b). The district court granted summary judgment for the defendants, reasoning, first, that under the case of *Robbins Co. v. Lawrence Mfg. Co.*, 482 F.2d 426 (9th Cir. 1973), the court may not look beyond the four corners of the written contract in search for an experimental purpose, and

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"3. Within [90 days] of the execution of this AGREEMENT, the COMPANY shall, in its own exclusive judgment, determine whether or not commercial production of a toy watch in accordance with the prototype delivered as specified above is desirable. If such production is, in the exclusive judgment of the company desirable, the company shall notify inventor, and shall pay to INVENTOR the sum of [$1,800] as an advance against the royalties provided hereinafter. . . .

"10. All improvements and changes in design shall be submitted to the INVENTOR by the COMPANY. Such submissions to INVENTOR are for his information only, and it is to be understood that the COMPANY may make any change in design which in its judgment is desirable. . . .

"12. INVENTOR shall be available to the COMPANY for consultation on seventy-two (72) hours notice. Such consultation shall be at no expense to INVENTOR and shall be for periods not exceeding three (3) days. In the event INVENTOR's consulting services are required by the COMPANY more than once during any calendar year, he shall be compensated for his services at the rate of [$100] per day, including travel time, for all consultation after the first period requested."

Other provisions of the contract discuss royalties, automatic expiration in event of insolvency, and the obligation of the company to secure a patent for Kock. This last provision states that if the company commences commercial production, "the COMPANY shall research patent aspects of the watch movement and endeavor to patent all patentable features thereof" and "diligently" and "actively pursue" all necessary steps to obtaining a patent for Kock. Clause 4.

second, that the experiments undertaken by Merry were commercial and so not the sort within the experimental purpose exception to the on sale bar of section 102(b).

We begin by exploring the history and rationale of the on sale bar and the experimental purpose exception to it.

35 U.S.C. § 102(b) (1976) states:

> A person shall be entitled to a patent unless . . . (b) the invention was patented or described in a printed publication in this or a foreign country *or in public use or on sale* in this country, more than one year prior to the date of the application for patent in the United States. (Emphasis added.)

The public use or on sale bar has been part of patent law in some form since 1836. The last amendment to section 102(b) occurred in 1939, when Congress shortened the grace period from two years to one year. Act of August 5, 1939, ch. 450, § 1, 53 Stat. 1212. *See generally* 2 D. Chisum, *Patents: A Treatise on the Law of Patentability, Validity and Infringement* § 6.02 (1979) at 6-5 to 6-16.

The one year grace period gives inventors an incentive to pursue diligently the patent process after their invention is ready for commercial application. This serves to limit the monopoly to the stautory period, *Pickering v. Holman,* 459 F.2d 403, 406 (9th Cir. 1972), and also encourages inventors to place their handiwork in the public domain as soon as possible so all may benefit from it. *Pennock v. Dialogue,* 27 U.S. (2 Pet.) 1, 19 (1829); *Gould Inc. v. United States,* 579 F.2d 571, 580 (Ct. Cl. 1978); *Atlas v. Eastern Air Lines, Inc.,* 311 F.2d 156, 159 (1st Cir. 1962), *cert. denied,* 373 U.S. 904 (1963). *See also* Note, New Guidelines for Applying the On Sale Bar to Patentability, 24 *Stan. L. Rev.* 730, 732-736 (1972).

Not all transfers from an inventor to a third party trigger the bar of section 102(b). If a transfer is made for the dominant purpose of experimentation, that is, to perfect the invention, and only incidentally for the profit of the inventor, then there is no public use or sale within the meaning of the statute.

The classic case for the experimental use exception is *City of Elizabeth v. American Nicholson Pavement Co.*, 97 U.S. 126 (1878):

> It is sometimes said that an inventor acquires an undue advantage over the public by delaying to take out a patent, inasmuch as he thereby preserves the monopoly to himself for a longer period than is allowed by the policy of the law; but this cannot be said with justice when a delay is occasioned by a *bona fide* effort to bring his invention to perfection, or to ascertain whether it will answer the purpose intended . . . [I]t is the interest of the public, as well as himself, that the invention should be perfect and properly tested, before a patent is granted for it. Any attempt to use it for a profit, and not by way of experiment, for a longer period than two years [the grace period at that time], would deprive the inventor of his right to a patent. *Id.* at 137.

Thus, *City of Elizabeth* held that "the use of an invention by the inventor himself, or of any other person under his direction, by way of experiment, and in order to bring the invention to perfection" was not a public use within section 102(b). *Id.* at 134.

The experimental purpose exception applies to the sale of an invention under § 102(b), just as it does to its use. Although the Supreme Court has never had occasion to so hold, we think the law is clear on the point. *Robbins Co. v.*

Lawrence Mfg. Co., 482 F.2d 426, 430 (9th Cir. 1973); *Red Cross Mfg. Corp. v. Toro Sales Co.*, 525 F.2d 1135, 1144 (7th Cir. 1975); *In re Yarn Processing Patent Validity Litigation*, 498 F.2d 271, 277 (5th Cir. 1974), *cert. denied*, 419 U.S. 1057 (1974); *see generally*, Chisum, *supra*, section 6.02 [6], [7].

To insure that abuses section 102(b) is designed to prevent do not arise, the burden of proof that sale is for an experimental purpose is on the inventor. The Supreme Court so indicated in *Smith & Griggs Mfg. Co. v. Sprague*, 123 U.S. 249 (1887):

> In considering the evidence as to the alleged prior use for more than two years of an invention which, if established, will have the effect of invalidating the patent, and where the defense is met only by the allegation that the use was not a public use in the sense of the statute, because it was for the purpose of perfecting an incomplete invention by tests and experiments, the proof, on the part of the patentee, the period covered by the use having been clearly established, should be full, unequivocal, and convincing.

Id. at 264; *see also Omark Industries, Inc. v. Carlton Co.*, 652 F.2d 783, 787 (9th Cir. 1980); *Aerovox Corp. v. Polymet Mfg. Corp.*, 67 F.2d 860, 861 (2d Cir. 1933).

The appellees argue, and the district court agreed, that the testing which occurred in this case, even if it was the purpose for the sale, was "that of a trader, not of an inventor." They insist that the experimentation required to stop the running of the time period is limited to determining the operability of the patented invention itself. We think that is too narrow a formulation.

In determining whether the transfer fell within the statutory exception, or the closely related question whether the pleadings presented a triable issue of fact on the point, we must examine the distinction between tests and research for experimental purposes and those for commercial purposes. The dichotomy may not be easy to apply since experimentation, for most inventors, is only a means to later commercial exploitation. The precedents allow such a distinction to be stated, however. Where the purpose of a sale is to investigate or stimulate the demand for the product, the object of the transfer is deemed commercial, not experimental, and the exception does not apply. Such a sale is within the bar of section 102(b). *Omark Industries, Inc. v. Carlton*, 652 F.2d 783, 787-88 (9th Cir. 1980); *Kalvar Corp. v. Xidex Corp.*, 556 F.2d 966, 967-68 (9th Cir. 1977); *Cataphote Corp. v. DeSoto Chemical Coatings, Inc.*, 356 F.2d 24, 27 (9th Cir. 1966), *aff'g*, 235 F. Supp. 931 (N.D. Cal. 1964), *cert. denied*, 385 U.S. 832 (1966); *Paeco, Inc. v. Applied Moldings, Inc.*, 562 F.2d 870, 874-75 (3d Cir. 1977); *Dart Industries, Inc. v. E. I. Dupont DeNemours & Co.*, 489 F.2d 1359, 1366 (7th Cir. 1973).

On the other hand, where the purpose of the sale, as revealed by objective circumstances, is to determine whether the invention can be improved, or reduced to operable, manufacturable, and useful form, a valid experimental purpose exists.

> When an invention has been reduced to practice, further public testing and demonstration may well support an inference that the inventor's intent is to exploit the invention, but "there may be an experimental use even following reduction to practice where the experiments are an attempt to further refine the device."

Del Mar Engineering Laboratories v. Physio-Tronics, 642 F.2d at 1169 (9th Cir. 1981), quoting *Cataphote Corp. v. DeSoto Chemical Coatings, Inc.*, 235 F. Supp. 931, 934 (N.D. Cal. 1964). "'[A]n inventor may . . . wait until he learns whether his invention is of enough value to justify an application for a patent.'" *Yarn Processing*, 498 F.2d at 282, quoting *Aerovox Corp. v. Polymet Manufacturing Corp.*, 67 F.2d 860, 862 (2d Cir. 1933). As the Fifth Circuit held in *Yarn Processing*, "a public use or sale will be excused if the invention is still undergoing experimentation that is reasonably necessary to test its utility or to determine whether further refinement is needed." *Id.* at 285. The Second Circuit is in accord. *Cali v. Eastern Airlines, Inc.*, 442 F.2d 65, 70-71 (2d Cir. 1971). *See generally* Chisum, *Patents Treatise* § 6.02[7] at 6-52 to 6-56.

Appellees suggest that the prototype delivered to Merry was identical with the movement later identified in the patent application. The issue, however, is not whether experimentation found that the prototype was sufficiently workable to be patentable without further change, but whether such experimentation took place at all. There are some cases intimating, although none that we have found holding, that the limits of permissible experimentation are defined by the limits of the eventual patent claims. *E.g.*, *Application of Theis*, 610 F.2d 786 (CCPA 1979); *Minnesota Mining and Mfg. Co. v. Kent Industries*, 409 F.2d 99 (6th Cir. 1969). In both of those cases, there was commercial purpose so a correct result was achieved, despite a possibly over narrow view of "experimental purpose." In *Minnesota Mining and Mfg. Co.*, the inventor distributed samples to prospective purchasers and "conducted a substantial sales program." 409 F.2d at 100. In *Theis*, there

was little, if any, objective evidence of experimental purpose, and the court found "the context in which all of appellant's activities in the period immediately preceding the critical date exist is clearly that of an attempt at market penetration." 610 F.2d at 793.

The dictum in these cases is thus at odds with our own view, and with the broad scope of experimentation the Supreme Court allowed in the *City of Elizabeth* case, *supra*. To the extent there is a conflict, we adopt what Chisum calls the "better and prevailing view." *Patents Treatise* at 6-53. Experimentation may occur even if no change in the patent proves to be necessary. *See City of Elizabeth*, 97 U.S. at 134-35; *Yarn Processing*, 498 F.2d at 277. Even if tests are not directly relevant to the claims eventually put forward in the patent, such tests are within the "experimental purpose" exception if their purpose is to determine whether the invention is sufficiently useful to justify a patent or could be improved.

Absent a transfer or use, an inventor may determine when to apply for a patent. An inventor with adequate financing may perfect and refine his invention for a lifetime, if that is his wish. The inventor of more limited means should also be able to test and refine his work before filing for a patent, even if he must sell an interest in the invention to develop a product with which he is fully satisfied, provided always the dominant purpose of the sale is for experiment, and that the transferee may not exercise the right to exploit or use the invention.

As we said in *Pickering v. Holman*, 459 F.2d 403 (9th Cir. 1972), "the so-called 'experimental purpose exception,' [v]iewed in light of the policy underlying the public use

provision . . . is no exception at all. A bona fide experimental use involves no commercial exploitation." *Id.* at 406. The same could be said of a sale made to improve or perfect the invention. In such a case, where the profit motive is only incidental to the experimental, the goals of section 102(b) would not be served by applying the on sale bar.[2]

In this case, the affidavits of the inventor in opposition to summary judgment stated that:

> When I sold the prototype to Merry, it was for research and study. We did not know at the time that the prototype would be in its final form. It was only after considerable study and work on my part, and research on Merry's part, that the prototype was adopted as the final form of the toy watch that would be offered for sale to the public.

This would support the view that Kock's purpose in transferring the invention to Merry was to see if the invention could be improved, or if it was worth patenting in its present form.

An inventor must do more than allege his experimental goals to avoid the statutory bar, however. As we said in *Robbins,* "an inventor's testimony of his subjective intent has no probative force against overwhelming evidence to the contrary." 482 F.2d at 431. Thus, where a prima facie sale has been proven, to come within the exception it is the inventor's burden to produce clear and objective evi-

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[2]It is settled, since the Supreme Court's *Smith & Griggs* case, 123 U.S. 249, 266 (1887), that the inventor is entitled to profit incidentally from a sale for experimental purposes. As we perceive the meaning of this rule, so long as there is an experimental purpose for the sale, the sale is not within the bar of section 102(b) no matter how profitable for the inventor it may be. *See generally* Chisum, *Patents Treatise* section 6.02[7] at 6-59 to 6-64.

dence of experimental purpose as the law defines it. *Robbins, id.; Omark Industries,* 652 F.2d at 787.

Whether a sale is made for an experimental purpose may turn on many factors. Relevant considerations include the necessity for the inventor to transfer the design to an entity with resources or knowledge superior to the inventor's, or similar factors tending to show the inventor transferred to obtain development assistance; the need to protect the public safety by limited and cautious experiments, *e.g., Del Mar Engineering Laboratories;* the stage of completion of the prototype sold; whether reports of the results of the tests or experiments are to be made to the inventor; and whether confidentiality by the buyer is enforced or expected.

It is not, however, enough that an inventor demonstrates by objective evidence that further experiment was necessary and was in fact performed by the transferee. To avoid the on sale bar, the inventor must further show that the transferee lacked authority to use the invention or exploit its commercial value. Where an inventor makes a simple outright sale, with the buyer to manufacture, refine, or sell the invention as the buyer chooses, and with no enforceable obligation on the buyer to hold the invention or design for experimental purpose only, the sale is for profit and, if made before the critical date, will invalidate the patent.

If the invention is out of the inventor's hands, it is irrelevant what experiments the buyer does or does not do with the invention. *Tool Research and Engineering Corp. v. Honcor Corp.,* 367 F.2d 449, 453 (9th Cir. 1966), *cert. denied,* 387 U.S. 919 (1967); *Dart Industries, Inc. v. E.I.*

DuPont DeNemours & Co., 489 F.2d 1359, 1366-67 (7th Cir. 1973), *cert. denied*, 417 U.S. 933 (1974); *Cali v. Eastern Airlines, Inc.*, 442 F.2d 65, 69 (2d Cir. 1971).[3] The Supreme Court in the *City of Elizabeth* case recognized this by requiring that tests made by one other than the inventor be "under his direction" if there is to be an experimental purpose. 97 U.S. at 134. To quote the Court in *Egbert v. Lippmann*, 104 U.S. 333, 336 (1881), if an inventor "gives or sells [his invention] to another, to be used by the donee without limitation or restriction, or injunction of secrecy," there is public use (or public sale) within the statute.[4] The inventor in such a case has no control over whether commercial exploitation can begin by the buyer immediately.

If the buyer has the authority to use an invention commercially or sell it to others without regard to any duty

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[3]We note that while the court in Cali v. Eastern Airlines, Inc., 442 F.2d 65, 69-70 (2d Cir. 1971), recognized the general rule cited in the text, the court reversed a summary judgment against the inventor, although it appeared that the inventor put no restrictions on the use to be made of his invention by the transferee, in that case his employer. *Cali* is distinguishable in that no "sale" actually occurred; the inventor simply "communicated a raw idea to his superiors for evaluation and exploitation." *Id.* at 69. His financial reward, if any, would be "after it was examined, tried, and ultimately adopted" by his employer. *Id.* It may also be that separate rules apply to the employment relation at issue in *Cali* than to the arms length transaction at issue here. Further consideration of the point can await a more appropriate case.

[4]The inventor argues that the sale here should not be regarded as within section 102(b) since it did not create an opportunity for public use, citing Galland-Henning Mfg. Co. v. Dempster Bros., Inc., 315 F.Supp. 68, 80 (E.D. Tenn. 1970) (dictum). We do not approve or disapprove this argument, but we note that the "public use" required by the statute does not have to be very broad, or very public. *See Egbert*, 104 U.S. 333 (1881). For a wry discussion of the case, *see* Chisum, *Patents Treatise*, § 6.02[2](d), at 6-18 to 6-20.

to experiment further, there is a sale within section 102(b), and the exception for experiment does not apply. It is not enough that the parties do not think it is likely that commercial exploitation will occur. While the limits of permissible experimental purpose are the same in "public use" and "on sale" cases, the relevant question is somewhat different. In "public use" cases, such as *Del Mar Engineering Laboratories*, the inventor has maintained control, and so the question is whether the use *actually made* is within the realm of permissible experimentation. In the case of an actual sale, the issue is what use the buyer *might make* of the invention. If a sale of an invention made before the critical date allows the buyer the possibility of non-experimental use, any patent obtained will be invalid under section 102(b).

For reasons that will be stated shortly, we think the inventor has failed to show all of the elements necessary to invoke the exception here, but our analysis differs from that followed by the court below. While the record is not entirely clear on the point, it appears that the court held that in determining whether experimental purpose was shown, the court is confined to the written agreement of transfer. We agree that the written contract is the beginning point of the analysis, and that considered alone it fails to support the experimental purpose as defined by the standards shown above and indeed points strongly against such a conclusion.

The agreement is an archetype of unfortunate draftsmanship, at least from Merry's standpoint. It is entitled "Manufacturing Agreement," and the opening covenant recites a simple sale. The thrust of the entire agreement, ar-

guably, is somewhat broader in that it contemplates that Merry, within ninety days, will determine "whether or not commercial production of a toy watch in accordance with the prototype delivered as specified above is desirable." If so, then Merry is charged to act with diligence to obtain a patent in the inventor's name. There is no express recital of any experimental purpose in the contract.

There was no indication on the face of the agreement that Kock would direct the experiments, or even that Merry would make reports of the tests to Kock. The contract's mention of experiments by Merry thus does not state or clearly imply a permissible experimental purpose.

The inventor here appears to argue that the contract was only an offer to sell for ninety days. If the purpose of the offer is not shown to be experimental by other evidence, an offer is also sufficient to put an invention "on sale." *Robbins,* 482 F.2d at 431. *See also Johns-Mansville Corp. v. Certain-Teed Corp.,* 196 USPQ 152 (C.D. Cal. 1977) and *Yarn Processing,* 498 F.2d at 277.

In this case, even if the contract were interpreted so that the buyer had the right to return the invention and rescind the sale if not satisfied with its tests, nevertheless, a transfer for experiment would not necessarily be established. *Application of Theis,* 610 F.2d 786, 789 (CCPA 1979); *Philco Corp. v. Admiral Corp.,* 199 F. Supp. 797, 816-17 (D. Del. 1961).

The contract contains provisions which encourage the inference that the invention was patentable and complete at the time of sale, and hence there is no experimental purpose explaining the transfer. The ninety day limit for deciding whether commercial feasibility exists does not sug-

gest that the operative prototype itself was still subject to experimentation or testing. The contract did not foreclose the possibility of such experimentation, but there is certainly no clear implication that experiment was the dominant purpose for the transfer.

The contract did state that "all improvements and changes in design shall be submitted to the inventor by the company." Without more, this might have supported an inference of experimentation, but the surrounding contractual language explodes any such argument. "Such submissions to inventor are for his information only, and it is to be understood that the company may make any change in design which in its judgment is desirable." Clause 10. We are unable, within the boundaries of the written contract, to find any clear implication of an experimental purpose, and, if the inquiry were to end here, the inventor would be foreclosed without further explanation.

The district court erred, however, in holding that evidence of experimental purpose must appear on the face of the contract. It is true that in *Robbins Co. v. Lawrence Mfg. Co.*, 482 F.2d 426 (9th Cir. 1973), we held:

> [A] sale or an offering for sale precludes any inquiry into the experimental nature of the sale *unless* the contract of sale or the offering for sale contains an express or clearly implied condition that the sale or offering is made primarily for experimental use.

Id. at 433. The rule is, then, that in an on sale case the purpose to experiment must be express or clearly implied in the original agreement of the parties. The contract which courts are charged to interpret in this respect is not limited to the written agreement, except in the polar case

of a document conceded to be completely integrated.[5] *Robbins* did not create some new sort of parole evidence rule which bars proving a transfer for experiment by evidence of conduct after the transfer has occurred.

As with other questions of contractual interpretation, the conduct of the parties and other evidence of events occurring after the transaction may be relevant to show an intent to transfer for an experimental purpose. It would not be sensible to read *Robbins* as hostile to proof of experimental purpose by objective circumstances relevant to the parties' intent. If between the parties it is clear that the sale is intended as a step on the way to perfecting the invention, and the transferee's rights of use and control are appropriately limited, there may be no particular reason to recite such purpose in a written agree-

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[5]This would be the case under the California parole evidence rule, as explicated in Pacific Gas & Electric Co. v. G.W. Thomas Drayage & Rigging Co., 69 Cal. 2d 33, 442 P.2d 641, 69 Cal. Rptr. 561 (1968). As the California Supreme Court later said, the task of the trial court in interpreting a contract is to consider "all credible evidence," including "testimony as to the circumstances surrounding the making of the agreement including the object, nature and subject matter of the writing, so that the court can place itself in the same situation in which the parties found themselves at the time of contracting." Gribaldo, Jacobs, Jones and Associates v. Aggripina Versicherunges A.G., 3 Cal. 3d 434, 476 P.2d 406, 411, 91 Cal. Rptr. 6 (1970). *See also* Cal. Civ. Code § 1647; Restatement (Second) of Contracts, §§ 202, 223; U.C.C. §2-202. The approach of federal courts in those cases in which state law is not relevant is the same. *See, e.g.*, Martin v. United States, 649 F.2d 701 (9th Cir. 1981); W.G. Cornell Co. of Washington, D.C., Inc. v. United States, 376 F.2d 299 (Ct. Cl. 1967). We need not decide whether to apply the state law approach to contract interpretation, or a federal common law approach based on section 102(b); in this case, the two would lead to the same result.

ment, if indeed a written agreement exists. The court may not ignore the reality of an experimental purpose where it is shown to exist by objective evidence properly admitted to interpret the contract.[6]

In *Robbins*, moreover, we rested in part on the fact that reports of the experimentation alleged in that case were never in fact made from the buyer to the inventor. *Id.* at 430 n.2. This court in *Cataphote Corp. v. De Soto Chemical Coatings, Inc.*, 356 F.2d 24 (9th Cir.), *cert. denied*, 385 U.S. 832 (1966), described the resolution of the question of experimental purpose in an on sale case as depending "principally upon a careful examination of each item of evidence and an evaluation thereof to judge the nature and purpose of the course of conduct of the purported patent holder." *Id.* at 26.[7] *See also Del Mar Engineering Laboratories v. Physio-Tronics, Inc.*, 642 F.2d 1167, 1169 (9th Cir. 1981).

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[6]Appellees at oral argument "conceded" that the actions of Merry and the inventor in this case would have been as consistent with a written contract containing boiler plate recitals of experimental purpose, as with the present contract of sale. They nonetheless argue that they were entitled as a matter of law to summary judgment because of the words of the written contract. We do not accept this concession, and search the record for a triable fact issue, but we cite this concession as an indication of the manifest unfairness of adopting any rule such as appellees urge.

[7]Some of our cases speak of the inquiry into experimental purpose as investigating the inventor's intent; others speak of the question as one of contract interpretation. *Compare* the cited language from *Cataphote with Robbins*, 482 F.2d at 433. This conflict is more apparent than real. The motivating force for the experiments will normally come from the inventor, but if the buyer does not have reason to know of the experimental purpose, it is unlikely, under the rules cited in the text, *supra*, that a court will either.

The various aspects of experimental purpose we have outlined can be shown, therefore, by events after the transfer, but in all cases the inquiry is directed to the purpose and intent of the parties at the time the transfer agreement was made. *See, e.g.*, U.C.C. §§ 1-205, 2-205; Restatement (Second) of Contracts §§ 223, 202(4).

It may be that the inventor here presented sufficient evidence to create a triable issue of fact as to part of the required showing of experimental purpose based on the parties' subsequent conduct. There was evidence from which the trier of fact might have found the inventor continued to be involved in design after the date of sale. The invention, while concededly a working prototype at the time of sale, might have undergone further refinements before reduction to useful and manufacturable form. The pleadings at least admit the possibility the inventor was unable to determine whether the invention was worth patenting, or could be improved, without use of Merry's superior testing facilities.

The defect in the appellant's case, however, is that there is no basis at all for finding that Merry was required to perform further experiments. The agreement must be interpreted to permit Merry to exercise complete control over commercial use and exploitation of the invention, without any obligation to experiment. A limit on the buyer's full dominion over the invention need not be spelled out in terms in the agreement; it might, for example, be implied where the parties clearly contemplated that the inventor, by participating in permissible experiments, would dictate their scope. The agreement at issue here, in particular clauses 3, 10, and 12, makes clear that the inventor waived all control over the future course of the

invention. Nothing that would lead us to a contrary opinion was put forward by the inventor. Mere participation as a volunteer, or as a paid consultant, in experiments decided upon by the buyer and under the direction of the buyer is insufficient to show the existence of permissible experimental purpose. Here, Merry was not limited to experimentation and had the absolute right of immediate commercial exploitation. The defendants were, therefore, entitled to prevail.[8] The summary judgment granted them is, accordingly, AFFIRMED.

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[8]Here lies our major disagreement with our dissenting colleague. An inventor who makes an unrestricted sale to a third party, retaining only an interest in future royalties, has made the kind of "sale" which, under 35 U.S.C. § 102(b), requires a patent application be filed within one year to be timely. *See supra* at 9-10. Since all the evidence shows Kock made such a sale, and made no timely application, his tardy patent is invalid. For the same reason, an inventor who has lost all control over the later course of an invention cannot argue that an unrestricted "sale" was a mere "transfer" within his "production or distribution system."

This was not a case where the inventor entered into a joint venture, or where the transfer was to an agent who would only test and refine the invention. It is clear that the buyer here would eventually make commercial use of the invention. We do not hold that transfer to a buyer in such circumstances is automatically within section 102(b). An exception can be imagined where the transferee is limited by contract, for a time, to permissible experimentation so that he cannot make a commercial use or sale without prior notice to the inventor, or passage of the allotted time period. In the event of a sale with this "two-stage" nature, it is arguable the time when the inventor is informed of impending commercial use, or the expiration of the predetermined experimental period, would represent the point of sale within section 102(b). *Cf.* Cali v. Eastern Airlines, Inc., 442 F.2d 65 (2d Cir. 1971), where it was held that an inventor's transfer to his employer for testing and later commercialization did not trigger section 102(b) until the employer "first publicly used Cali's concept with a predominantly commercial intent." *Id.* at 71. We need not decide this issue here.

Pregerson, Circuit Judge, Dissenting.

[Filed July 15, 1982]

The majority opinion thoughtfully examines the issues involved in determining what constitutes a sale for experimental purposes under 35 U.S.C. § 102(b).[1] The opinion, however, overlooks decisive inferences and case law and frustrates an independent inventor's ability to market his invention and reap the rewards of his creativity. Therefore, I respectfully dissent.

This case is here on appeal from the district court's order granting summary judgment for the defendants. Thus, the primary question before us is whether, after construing all evidence in the light most favorable to plaintiff, the non-moving party, there remains a material question of fact whether the sale of the prototype was for an experimental purpose. Fed. R. Civ. Pro. 56(c); *Pegasus Fund, Inc. v. Laraneta*, 617 F.2d 1335, 1339 (9th Cir. 1980). Since material questions of fact exist, we should remand for trial.

Our court has stated that resolution of the question whether a sale had an experimental purpose depends upon "the totality of evidence presented by both parties, of the nature of the acts committed prior to the critical date and the purpose that motivated the commission of those acts." *Cataphote Corporation v. DeSoto Chemical Coatings, Inc.*,

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[1] I agree with the majority's views that experimentation may occur even if no change in the invention proves necessary, Majority Opinion at 7, and that *Robbins v. Lawrence*, 482 F.2d 426 (9th Cir. 1973), allows evidence of experimental purpose beyond that contained in the written contract. Majority Opinion at 13.

356 F.2d 24, 26 (9th Cir.), *modified on other grounds and reh'g denied*, 358 F.2d 732, *cert. denied*, 385 U.S. 832 (1966). In analyzing the "totality of evidence" a number of factors should be examined to determine whether a sale had an experimental, not a commercial, purpose. These factors include: conditions placed on the sale, *Robbins v. Lawrence*, 482 F.2d 426, 432 (9th Cir. 1973); further testing required on the product, *Amerio Contact Plate Freezers, Inc. v. Belt-Ice Corp.*, 31 F.2d 459, 464 (9th Cir.), *cert. denied*, 375 U.S. 902 (1963), *Timely Products Corp. v. Arrow*, 523 F.2d 288, 302 (2d Cir. 1975); explicit statements of an experimental purpose, *Austin Machinery Co. v. Bukeye Traction Ditcher Co.*, 13 F.2d 697, 700 (6th Cir. 1926); *cert. denied*, 273 U.S. 474 (1927), *Robbins*, 482 F.2d at 433; inventor's intent that transfer be for an experimental purpose, *In Re Yarn Processing Patent Validity Litigation*, 498 F.2d 271, 288 (5th Cir.), *cert. denied sub nom. Sauquoit Fibers Co. v. Leesona Corp.*, 419 U.S. 1057 (1974); requirement that invention be kept confidential, *Ajem Laboratories, Inc. v. C.M. Ladd*, 424 F.2d 1124, 1125-26 (6th Cir.), *cert. denied*, 400 U.S. 830 (1970), *Robbins*, 482 F.2d at 432; further experimentation on the invention, *Del Mar Engineering v. Physio-Tronics*, 642 F.2d 1167, 1169 (9th Cir. 1981); commercial motive incidental to the experimental motive, *In Re Yarn Processing Patent Validity*, 498 F.2d at 277-78, *Pickering v. Holman*, 459 F.2d 403 (9th Cir. 1972); and reports to the inventor on transferee's use of the invention, *Robbins*, 483 F.2d at 433.

A number of these factors exist in this case. The April 28th agreement required Merry to notify Kock of all design changes and secure his approval of the patent application. Since reports to the inventor on the use of the invention

by the transferee indicate a transfer for an experimental purpose, *Robbins*, 482 F.2d at 433, the notification requirement raises an inference that Kock and Merry intended the experimental process to continue.[2]

The transfer here required secrecy in the use of the device—another indicator of an experimental purpose. *Robbins*, 482 F.2d at 433. Kock swore in an affidavit that he and Merry agreed to keep the newly invented watch secret. There is no evidence that Kock revealed the workings of his invention to anyone other than his patent attorney and Merry, with whom he had an exclusive contract. Again, the evidence raises an inference that the transfer was for an experimental purpose.

A sale from an inventor to a manufacturer before the product has been "tested sufficiently to verify that it is operable and commercially marketable" raises an inference of an experimental purpose. *Timely Products Corp. v. Arrow*, 523 F.2d at 302. For example, in *Amerio Contact Plate Freezers v. Belt Ice Co.*, 316 F.2d at 465, this court held that selling activity does not activate section 102(b)'s one year period until an operative "prototype has been completed and tested," because such activity may be necessary to ascertain what product changes are required for

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[2]The majority, however, suggests these reports were submitted only for Kock's information and have no bearing on whether the transfer was for an experimental purpose. Majority Opinion at 12. One could also interpret this requirement as implying that the parties intended to continue experimentation while giving Merry the final authority over all design changes. In a motion for summary judgment, conflicting inferences should not be resolved in favor of the moving party as the majority has done. *Pegasus Fund Inc. v. Laraneto*, 617 F.2d, 1335, 1339 (9th Cir. 1980).

successful commercial exploitation. The April 28th agreement contained a provision that Merry had ninety days to test the product and decide whether to produce it commercially. The agreement also required Kock to provide additional prototypes, if requested. This evidence raises the inference that, as of April 28, Kock's invention had not been sufficiently completed and tested to verify that it was operable and commercially marketable. This inference places the sale within the experimental purpose exception to section 102(b).

The majority acknowledges that section 102(b) does not apply "to a sale to improve or perfect the invention . . . where the profit motive is only incidental to the experimental. . . ." Majority Opinion at 8. The majority, however, fails to apply this rule to the facts of this case. Here, as discussed in the previous paragraph, the inference can be drawn that the purpose of the transfer was to improve or perfect the invention. Kock, after three months of work, transferred a prototype embodying his invention to Merry for an initial payment of $1,500. Under the contract, Kock was also to receive $1,000 for each additional prototype he was asked to produce. Moreover, he was to receive a three percent royalty based on the net selling price of all watches produced pursuant to the invention. The initial payment was minor compared to the eventual profits Kock hoped to reap. Thus, one might infer that Kock's profit motive, exhibited when he accepted $1,500 for three months work, was incidental to his experimental motive—that the invention be improved or perfected through the use of Merry's superior facilities. Again, one may draw the inference that the transfer was for an experimental purpose.

The majority opinion overlooks the inferences discussed in the preceding paragraphs.[3] Nonetheless, it concedes that

> [i]t may be that the inventor here presented sufficient evidence to create a triable issue of fact as to part of the required showing of experimental purpose based on the parties' subsequent conduct. There was evidence from which the trier of fact may have found the inventor continued to be involved in design after the date of sale. The invention, while concededly a working prototype at the time of sale, might have undergone further refinements before reduction to useful and manufacturable form. The pleadings at least admit the possibility the inventor was unable to determine whether the invention was worth patenting, or could be improved, without use of Merry's superior testing facilities.

Majority Opinion at 14-15.

This acknowledgment of a triable issue of fact as to the experimental purpose of the April 28th transaction should by itself require a remand.

There is also a question of fact whether the April 28th transfer was a transaction between an inventor and a third party within the product's production or distribution sys-

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[3]Not only does the majority fail to draw inferences in favor of Kock, it draws them against him. It writes that "[t]he contract contains provisions which encourage the inference that the invention was patentable and complete at the time of sale, and hence there is no experimental purpose explaining the transfer." Majority Opinion at 12. Inferences favoring the defendants which are "encouraged" by the evidence are irrelevant to this court's review of a summary judgment decision favoring the defendants since "all doubt must be resolved in favor of the party opposing the motion for summary judgment." *Cermetek, Inc. v. Butler Avpak, Inc.* 573 F.2d 1370, 1377 (9th Cir. 1978); *see also Pegasus*, 617 F. 2d at 1339.

tem. Such transfers, which reflect an experimental rather than a commercial purpose, do not constitute sales under section 102(b).[4]

The evidence suggests the April 28th transaction could have constituted a transfer within a production and distribution system. Kock began working on the invention after Merry sent Kock a letter, dated September 15, 1966, which detailed the watch movement Merry desired. Thus, the invention was built exclusively for Merry to meet its specific requirements. Since Kock maintained a royalty interest, most of his remuneration would derive from Merry's marketing of the ultimate product, not the initial $1,500 payment. As the majority notes, the worth of the product could have depended on the "use of Merry's superior testing facilities." Majority Opinion at 15. The contract called for Kock to continue to work as a consultant for Merry. Neither Kock nor Merry disclosed the invention to anyone other than Kock's patent attorney. The evidence recited above raises a strong inference that Kock and Merry constituted a production entity, a subject the majority fails to address.[5]

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[4]For example, in *Baker-Commack Hosiery Mills Inc. v. Davis Co.*, 181 F.2d 550 (4th Cir.), *cert. denied*, 340 U.S. 824 (1950), the Fourth Circuit upheld the patent after such a transfer because "there was no sale within the terms of the statute, but only certain preliminary steps looking toward sales which in fact never occurred." *Id.* at 558. In *Jack Winter, Inc. v. Koratron Company, Inc.*, 375 F. Supp. 1 (N.D.Cal. 1974), *supp. op.*, 409 F. Supp. 1019 (1976), the court upheld a patent when the "sale" was within the "patentee's own distribution system." *Id.* at 37. *See also Marvin Glass & Associates v. Sears, Roebuck & Co.*, 318 F.Supp. 1089 (S.D. Tex. 1970), *aff'd in part, remanded in part on other grounds*, 448 F.2d 60 (5th Cir. 1974); Note, *New Guidelines for Applying the On Sale Bar to Patentability*, 24 Stan. L. Rev. 730, 745 (1972).

[5]The majority opinion does, however, conclude that "[t]his is not a case where the inventor entered into a joint venture." Major-

The majority opinion also ignores the policy behind section 102(b). As *Robbins* noted: "The underlying policy [of section 102(b)] appears to be that an *unconditional* placing 'on sale' creates an opportunity for public use." (Emphasis in the original.) 482 F.2d at 431. Here, the "sale" simply did not create an opportunity of public use. Thus, under *Robbins*, there should be no sale within the meaning of section 102(b).

Further, applying the on sale bar to this case does not advance the purpose of section 102(b)—that is, "to prevent an inventor from having the advantage of a monopoly for more than the statutory period by engaging in the competitive exploitation of his invention." *Amerio Contact Plate Freezers, Inc. v. Belt-Ice Corporation*, 316 F.2d at 465; *see also Pickering v. Holman*, 459 F.2d at 406; Note, *New Guidelines for Applying the On Sale Bar to Patentability*, 24 Stan. L. Rev. 730, 734 (1972). Here the inventor was not attempting to prolong his monopoly but was trying to prepare the product for commercial exploitation. The purpose of section 102(b) is not served by applying the on sale bar to the sale of a single prototype produced under an exclusive contract with a production company.

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ity Opinion at 18. Thus, the majority apparently believes that transfers within a joint venture do not constitute a sale under section 102(b). The majority's observation is perplexing. First, it does not explain why transfers within a joint venture should be immune from the on sale bar, while transfers within a production system should be subject to the on sale bar. Second, the basis for the majority's belief that the agreement between Kock and Merry did not constitute a joint venture is that "the buyer here would eventually make commercial use of the invention." *Id.* It is not clear why future commercial exploitation is relevant to whether a sale for commercial purposes had already occurred. Furthermore, Kock, through the receipt of royalties, anticipated that he would "eventually make commercial use of the invention" concurrently with Merry—thus, Merry's anticipated commercial exploitation should not indicate the April 28th transaction was a transfer outside a production entity.

Cf. Cali v. Eastern Airlines, 442 F.2d 65, 69 (2d Cir. 1971) Here, the commercial exploitation contemplated by section 102(b) would have occurred when Merry marketed the completed watches. *Compare American Machine & Hydraulics, Inc. v. Mercer*, 585 F.2d 404 (9th Cir. 1978) (on sale bar applies to sales of 147 mufflers to ultimate customers); *Robbins*, 482 F.2d at 428 (on sale bar applies to sale of 50 cutters to the ultimate customer); *Super Mold Corp. v. Clapp's Equip. Div. Inc.*, 397 F.2d 932 (9th Cir. 1968) (on sale bar applies to sale of 248 tread aligners to the ultimate customer).

The majority opinion disregards the inferences of an experimental purpose raised by the evidence, disregards its own acknowledgement that a triable issue of fact exists, disregards the question whether the sale constituted a transfer within a production company, and disregards the policy and purpose of section 102(b). Instead, the majority concludes that defendants are entitled to summary judgment because "there is no basis for finding that Merry was required to perform further experimentation," the inventor "waived all control over the future course of the invention," and "Merry had the right of immediate exploitation." Majority Opinion at 15. The majority also seems to create an apparent per se rule for determining whether a sale has an experimental purpose. The majority states

> [i]t is not, however, enough that an inventor demonstrates by objective evidence that further experiment was necessary and was in fact performed by the transferee. To avoid the on sale bar, the inventor must further show that the transferee lacked authority to use the invention or exploit its commercial value.

Majority Opinion at 9. This rule has scant support in past decisions.[6]

As I read the majority opinion, its holding is apparently based on the proposition that Kock's transfer of "all control" over the invention constitutes a sale under section 102(b). The degree of control relinquished by an inventor through a sale does bear on whether the sale had an experimental or commercial purpose. Relinquishment of control, however, should not, as the majority believes, be a conclusive indicator of a commercial purpose. The majority does envision situations where giving up all control might not compel application of the on sale bar. The majority states that a transfer to a buyer might not come within section 102(b)

> where the transferee is limited by contract, for a time, to permissible experimentation so that he cannot make a commercial use or sale without prior notice to the inventor, or passage of the alloted time period. In the event of a sale with this "two-stage nature," it is ar-

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[6]The legal authority for these holdings is unclear. The majority supports its position by stating that "if the invention is out of the inventor's hands, it is irrelevant what experiments the buyer does or does not do with the invention." Majority Opinion at 9. The following cases relied on by the majority, however, do not support this position.

In *Tool Research and Engineering Corp. v. Honcor Corp.*, 367 F.2d 449, 453 (9th Cir. 1966), *cert. denied*, 387 U.S. 919 (1967), our court merely noted that the inventor put no limitation on his product's use. We held the patent invalid because the sales put the invention into public use. *Id.* at 453. No such public use existed in the instant case.

In *Dart Industries, Inc. v. E.I. DuPont DeNemours & Co.*, 489 F.2d 1359, 1366-67 (7th Cir. 1973), *cert. denied*, 417 U.S. 933 (1974), the court voided a patent because the inventor made several unqualified sales of the identical product. *Id.* at 1366-67. Kock sold only one prototype of the invention to a production company.

> guable the time when the inventor is informed of impending commercial use, or the expiration of the predetermined experimental period, would represent the point of sale within section 102(b).

Majority Opinion at 18, n.8. While the inventor in the majority's hypothetical would receive prior notification of a sale which was more than Kock was entitled to, the hypothetical inventor would, in reality, have no greater control over the commercial exploitation of his invention than did Kock. Therefore, the majority's concession that its hypo-

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In *Cali v. Eastern Airlines Inc.*, 442 F. 2d 65 (2d Cir. 1971), Cali submitted to his employer, Pan Am, an idea that became the kernel of a patented invention. In an infringement action brought by Cali against Eastern Airlines, the district court found that Cali, by submitting his suggestion to Pan Am, put the idea in public use. Since such submission occurred more than a year before Cali filed his patent application, the district court applied section 102(b) and invalidated the patent. In so doing, the district court "observed that Cali placed no restrictions on Pan Am's use" of his idea. *Id.* at 69. The Second Circuit reversed because "absence of any control by Cali, or any attempt to impose control, should not be elevated to the status of a per se test under the circumstances disclosed here in the posture in which we receive this case." *Id.* Thus, the Second Circuit held that the experimental process continued and that the public use bar was inapplicable, even though the invention was "out of the inventor's hands."

The majority also supports its holding by suggesting that the Supreme Court, in *City of Elizabeth v. American Nicholson Pavement Co.*, 97 U.S. 126 (1878), held that if there is to be an experimental purpose "tests made by one other than the inventor [must] be 'under his direction.'" (cite omitted). Majority Opinion at 10. This is an inaccurate reading of *City of Elizabeth*. The Court there simply noted that when experiments are under the inventor's direction, no public use occurs. Obviously, since courts have found experimental purpose even when the experiments were outside the inventor's direction, the rule the majority espouses is questionable. *See Cali*, 442 F.2d at 70, n.3 (It may be unrealistic and inconsistent with the patent laws to require that the inventor maintain control over experiments for the transfer to qualify as a sale with an experimental purpose.); *Cf. Dart*, 489 F.2d at 1366.

thetical inventor may avoid the on sale bar should apply equally to Kock.

One can also envision a situation in which an inventor with a partially completed prototype is forced by lack of funds to sell his invention to a production company. The company might not wish to devote its resources to complete the prototype or produce the product that embodies the invention, unless the company has the unqualified right to control marketing of the product. Granting such control should not terminate the experimental process. The production company should have the right to continue experimenting with the product, even if such experimentation takes longer than a year. Under the majority's view, however, to obtain a valid patent, an application must be filed within one year of the transfer of control.

The overriding consideration in applying section 102(b) to a sale is whether the sale had an experimental or commercial purpose. I suggest that the fact-finder treat transfer of control as a factor, not as a conclusive indicator of a sale within section 102(b). Courts should apply section 102(b) to invalidate a patent when the transfer of control over the invention, considered as part of the totality of the evidence, indicates the sale was for a commercial purpose. Treating transfer of control as a factor, rather than as a

---

In fact, *City of Elizabeth* supports Kock's claim. The case equates a public use or sale with "abandonment" of the invention. *Id.*, 97 U.S. at 134. Here, the evidence does not show that Kock abandoned the invention.

The majority also relies on a quote from *Egbert v. Lippman*, 104 U.S. 333, 336 (1881) that "if an inventor 'gives or sells [his invention] to another to be used by the donee without limitation or restriction, or injunction of secrecy,' there is public use (or public sale) within the statute." Majority Opinion at 10. This rule does not void the patent here because Merry and Kock agreed to maintain secrecy; therefore, an injunction of secrecy apparently existed.

conclusive indicator of a sale, encourages continuation of the experimental process without fear of running afoul of section 102(b)'s one year period.

In short, the evidence in this case raises a material question of fact whether the April 28th transaction was primarily for experimental or commercial purposes. Our court has held that the question of experimental purpose in cases involving section 102(b) is a question of fact to be decided by the trier of fact after consideration of the totality of the evidence. *Cataphote Corporation v. DeSoto Chemical Coatings, Inc.*, 356 F.2d at 26; *Micro-Magnetic, Inc. v. Advanced Auto Sales Co., Inc.*, 488 F.2d 771, 773 (9th Cir. 1973). *See also*, 2 Deller's *Walker on Patents*, 714. I would therefore reverse the summary judgment and remand for trial.

Office - Supreme Court, U.S.
FILED
DEC 1 1982
ALEXANDER L. STEVAS,
CLERK

No. 82-831

In the Supreme Court

OF THE

United States

OCTOBER TERM, 1982

BRUCE A. KOCK,
Petitioner,

vs.

THE QUAKER OATS COMPANY, et al.,
Respondents.

Appendix to
Petition For A Writ Of Certiorari
to the United States Court of Appeals
for the Ninth Circuit

SIDNEY F. DEGOFF
100 Bush Street, 20th Floor
San Francisco, CA 94104
Telephone: (415) 421-2345
Counsel for Petitioner

DOWNE OF SAN FRANCISCO, INC. • 150 NINTH ST. • S.F., CA 94103 • (415) 864-2300

INDEX TO APPENDIX

A. Order Denying Petition for Rehearing

B. Opinion of the District Court (incorporated by the Court in its Finding of Facts and Conclusions of Law)

United States Court of Appeals
For the Ninth Circuit

No. 80-4072

Bruce A. Kock,
Plaintiff-Appellant,

vs.

The Quaker Oats Company, et al.,
Defendants-Appellees.

[Filed Aug. 23, 1982]

ORDER

Before: WALLACE, KENNEDY, and PREGERSON, Circuit Judges.

The petition for rehearing is DENIED.

United States District Court
Northern District of California

No. C-78-1254-SAW

Bruce A. Kock,
Plaintiff,

vs.

The Quaker Oats Company, et al.,
Defendants.

[Filed Jan. 23, 1980]

FINDINGS OF FACT AND CONCLUSIONS OF LAW

1. Defendants, F.W. Woolworth, Inc., Toys "R" Us, Inc., Carter Hawley Hale Stores, Inc., Sears Roebuck & Co., and Long Drug Stores, moved for summary judgment as to Counts One through Three on the theory that the patents are invalid. They also moved for summary judgment on the theory that the plaintiff is not the real party in interest, or in the alternative, to dismiss for failure to join an indispensable party. Plaintiff opposed. Oral arguments were heard January 11, 1980. The court has, in addition, considered the memoranda and supporting documents filed with this motion as well as all other pleadings and papers in the case.

2. By stipulation of the parties, Count Four does not apply to these defendants.

3. Counts One through Three on the Complaint assert duplicative claims of infringement of United States Patent No. 3,613,353, which issued on October 19, 1971 to Bruce A. Kock, and United States Patent No. 3,685,282, which issued

on April 22, 1972 to Bruce A. Kock (hereinafter referred to as the Suit Patents) by the use and sale of toy watches by the above five named defendants.

4. Bruce A. Kock (hereinafter "Kock") is the inventor of the subject invention.

5. Merry Corporation (hereinafter "Merry") was a manufacturing concern which contracted and did purchase from the inventor all his rights in the invention.

6. From at least January 10, 1967, Kock furnished to his patent attorneys a full disclosure of his "invention" by way of a prototype and by way of written disclosure of that date, which disclosure corresponds to the disclosure of the Suit Patents.

7. Plaintiff, Kock, withheld the filing of the application leading to the Suit Patents until May, 1968 for the express purpose of extending the term of his monopoly.

8. A fully operative prototype was completed in December, 1966 which corresponded precisely to the structure shown in the drawings of the Suit Patents and described in the specifications of the Suit Patents. This prototype represented a reduction to practice of the "invention."

9. On April 28, 1967, by a contract entitled Manufacturing Agreement (hereinafter "Agreement"), Kock sold to Merry all of his rights to his toy watch movement and any invention embodied therein as well as a working prototype of the invention.

10. The Agreement transaction was a sale of a fully operational product constructed in accordance with the terms of the Suit Patents.

11. The date of application for the purposes of 35 U.S.C. § 102(b) for the Suit Patents is May 3, 1968.

12. The invention claimed in the claims of the Suit Patents was reduced to an operative prototype ultimately disclosed in the application for the Suit Patents, May 3, 1968.

Real Party In Interest—Indispensable Party

13. In the Agreement of April 28, 1967, Kock sold, assigned and transferred a-1 rights to his novelty toy watch movement and any invention embodied therein to Merry.

14. Leisure Dynamics, Inc., (hereinafter "Leisure"), is the successor in interest to Merry.

15. Under the terms of the Agreement, Kock retained the right to apply for the Suit Patents should Merry fail to do so.

16. Kock applied for and received the Suit Patents.

CONCLUSIONS OF LAW

1. The court has jurisdiction of this matter under 28 U.S.C. § 1338(a).

2. The issues before this court are governed by 35 U.S.C. § 102(b), which provides *inter alia:*

> A person shall be entitled to a patent unless . . . the invention was . . . on sale in this country, more than one year prior to the date of the application for patent in the United States.

The purpose of this section is:

> to prevent an inventor from having the advantage of a monopoly for more than the statutory period by

engaging in the competitive exploitation of this invention after it is fully developed before applying for a patent.

Amerio Contact Plate Freezers, Inc. v. Belt-Ice Corporation, 316 F.2d 459, 465 (9th Cir. 1963), *cert. denied*, 84 S. Ct. 191.

3. In order for an item to be "on sale," a fully operative article or apparatus incorporating the invention ordinarily must be in existence. *Johns-Mansville Corp. v. Certain-Teed Corp.*, 196 U.S.P.Q. 152, 156 (1977, citing, *Amerio, supra.*

4. An item is "on sale" if there is a completed sale. See *Johns-Mansville Corp. v. Certain-Teed Corp., supra; Tool Research and Engineering Corporation v. Honcor Corporation*, 367 F.2d 449, 453 (9th Cir. 1966), *cert. denied*, 387 U.S. 919 (1967).

5. The defendants who allegedly infringed the Suit Patents have met their burden of showing by clear, satisfactory, substantial evidence that the invention was placed "on sale" prior to the critical date. *Tucker Aluminum Products v. Grossman*, 312 F.2d 293, 294 (9th Cir. 1963).

6. Once the defendant shows a placing on sale the burden shifts to the plaintiff to show that the sale was for an experimental purpose or use. *Johns-Mansville Corp. v. Certain-Teed Corp., supra* at p. 157.

7. A sale precludes any inquiry into the experimental nature of the sale *unless* the contract of sale contains an express or clearly implied condition that the sale is made primarily for experimental use. *Robbins Company v. Lawrence Manufacturing Company*, 482 F.2d 426, 433 (9th Cir. 1973).

8. The conditional provisions found in paragraph 3 of the manufacturing Agreement are typical of a trader's not an inventor's experiment, and as such do not carve out an exception to 35 U.S.C. § 102(b) or open the door to further inquiry into the experimental nature of the sale. *Cataphone Corporation v. De Soto Chemical Coatings, Inc.*, 356 F.2d 24, 27 (9th Cir.).

9. The manufacturing Agreement contains no express or clearly implied condition that the sale or offering is made primarily for an experimental purpose or use. Therefore, this court is precluded from any inquiry into the experimental nature of the sale.

10. Plaintiff has not met his burden of showing that the sale was for an experimental purpose or use.

11. Based on the foregoing findings of fact and conclusions of law, the Suit Patents are invalid by operation of 35 U.S.C. § 102(b).

13. The five defendants named above are entitled to summary judgment on Counts One through Three.

Real Party In Interest—Indispensable Party

13. Insufficient facts exist which show that Merry or its successor in interest Leisure own the Suit Patents.

14. The motion of these defendants for summary judgment on the ground that this action is not prosecuted by the alleged real party in interest, Leisure, is denied.

15. The owner of a patent is always an indispensable party to an infringement action. *Sidewinder Marine, Inc. v. Nescher*, 200 U.S.P.Q. 327, 329 (N.D. Ca. 1976).

16. The motion to dismiss for failure to join Leisure as an indispensable party (owner) is denied.

17. Moving defendants will prepare a form of judgment to be lodged with the magistrate within 10 days following entry of this order.

IT IS SO ORDERED.

Dated: January 23, 1980

OWEN E. WOODRUFF, JR.
United States Magistrate

Office - Supreme Court, U.S.
FILED
DEC 17 1982
ALEXANDER L. STEVAS,
CLERK

No. 82-831

IN THE

Supreme Court of the United States

OCTOBER TERM, 1982

BRUCE A. KOCK,

Petitioner,

–VS.–

THE QUAKER OATS COMPANY, et al.,

Respondents.

ON PETITION FOR WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

RESPONDENTS' BRIEF IN OPPOSITION

LAWRENCE ROSENTHAL
Attorney for Respondents
730 Third Avenue
New York, New York
10017
Tel. No.: (212) 867-2200

(13282)

QUESTION PRESENTED FOR REVIEW

Of the two questions posed by Petitioner, the first is in proper form while the second is defective in that it misstates the facts as found by the courts below, namely that the sale of Kock's invention was for "testing and experimenting" rather than for commercial exploitation, and that such sale was "under the terms of secrecy", rather than without limitation as to the use or disposition of the invention by the purchaser thereof. Accordingly, the sole question presented is:

Was Kock's invention on sale in this country more than one year prior to the date of his application for a patent in the United States?

RULE 28.1 LISTING

Respondents	*Parent Companies, Subsidiaries (Except Wholly Owned Subsidiaries) and Affiliates*
F. W. Woolworth, Inc.	None
Toys "R" Us, Inc.	Petrie Stores, Inc.
Longs Drug Stores, Inc.	None
Carter Hawley Hale Stores, Inc.	None
Sears, Roebuck and Co.	Actmedia, Inc. Acuna-Ropa, S. A. Allstate Service Stations, Ltd. (Canada) American Waterproofing Corporation Apcom, Inc. Arco Wheel, Inc. Arizona Public Service Co. Armstrong Acceptance Co., Inc. Armstrong Rubber Company, The Armstrong Rubber Export, Ltd. Armstrong Rubber International, Ltd. Ashley's The Outlet Store, Inc. Bannister Mall Co. Baron Data Systems Black Hills Power & Light Co.

Bonded Fibre Products (Southern) Ltd.
Brae Corporation
Carrefour de L'Estre Inc.
Carrefour Richelieu Realties Ltd.
Central Illinois Light Company
Central Illinois Public Service Co.
Central Telephone Company
Centre Commercial De L'Autoroute L'Tee
Centre Commerciaux Regionaux du Quebec Ltee.
Centro Comercial Plaza Satelite (Trust) (Mexico)
Centro Comercial Plaza Universidad (Trust) Mexico)
Coldwell, Banker & Company
Commerce Consolidators Corporation
Commonwealth Edison
Computer Printers International, Inc.
Coudelle House Ltd.
Consumers Power Company
Contill Realty Ltd. (Canada)
Conver Corporation
Copolymer International Incorporated
Copolymer Rubber & Chemical Corporation
Cornwall Square Development
Cottonwood Corners Inc.
Crown Semiconductor, Inc.
Dart Transportation Service
Dart Warehouse Corporation

Dart Equipment Corporation
Delta Data Systems Corporation
DeSoto, Inc.
DeSoto Coatings, Ltd.
Direct Tire Sales, Inc.
Donald Fox and Partners (Underwriting Management) Limited
Dover Associates
Duquesne Light Company
Eastgate Company
Elmhurst Maintenance, Inc.
Equatorial Communications Company
Form-O-Uth, Inc.
Form-O-Uth de El Salvador, S. A. de C. V.
429348 Ontario Ltd.
Fruitbelt Motor Service, Inc. (Ill.)
GradeMark of Los Angeles, Ltd.
Grimsby Stove and Furnace Ltd. (Canada)
Harold Williams (1964) Ltd.
Homan Services, Inc.
Houdaille Industries, Inc.
Hot Springs Mall Assoc.
Huntsville Assoc.
Hurco Manufacturing Company, Inc.
IDS Holding Corporation
Industrial Data Terminals Corporation
Industrias Vematec, S. A. (Venezuela)
International Communications Sciences, Inc.

International Video Corporation
Iowa Illinois Gas and Electric Co.
Jackson Distribution Center, Incorporated
John Inglis Co. Limited
John Rennie Ltd. (Canada)
Justinian Developments Ltd.
Kansas Gas and Electric Company
Kelfor Holding Ltd. (Canada)
Kellwood Company
Kellwood International, Inc.
Kellwood International Limited
Keltyboots, Inc.
Kelty Pack, Inc.
Kenmore Restaurants, Ltd. (Canada)
Kerrybrooke Development Ltd. (Canada)
Kerrytor Ltd.
Kingsway Imports Ltd. (Canada)
Lafayette Assoc.
Leaseway Warehouses, Inc.
Leger Corporation
Logisticon, Inc.
Manchester Manufacturing Inc.
Matemexico, S. A. de C. V.
Maul Technology Corp.
Metromail Corporation
Micro-Mex, S. A. de C. V.
Minnesota Power and Light
Monterey Mills, Inc.
Monterey Mills of Tennessee, Inc.

Mountain Fuel Supply Company
Neighborhood TV Company, Inc.
Newpark Plaza Assoc.
Newsub Co.
Nicor, Inc.
Pacific Power and Light
Pennsylvania Power & Light Company
Peoples Energy, Corp.
Photo Engravers and Electrotypers Limited (Canada)
Pine Centre Mall
Place Vertu
Priam Corporation
Project 200 Properties Ltd. (Canada)
Public Service of Indiana
Quator Realty Ltd. (Canada)
Quilted Textiles Corporation
Regbrooke Ltd.
Regional Shopping Centre Ltd. (Canada)
Regional Shopping Centres (Canada) Ltd.
Rennie Industries, Ltd. (Canada)
Ray-Max Srs., S. A. de C. V.
Richmond Converters, Inc.
Roper Canada Limited
Roper Corporation
Roper International Sales Corp.
Sanyo Manufacturing Corporation
Sarana Lighting, Inc.
Seguros del Atlantico, S. A. (Mexico)

Seragen, Inc.
Signal Delivery Service, Inc.
Simpsons-Sears Limited (Canada)
Simpsons-Sears Acceptance Co., Ltd. (Canada)
Simpsons-Sears Properties Ltd. (Canada)
Smart Shirts Limited
Southern California Edison Company
Southern Connecticut Gas Company
Stahl-Urban Company
State Industries, Inc.
St. Laurent Shopping Center Ltd. (Canada)
Supervised Parking (Ontario) Ltd. (Canada)
Surrey Place Ltd. (Canada)
Swift Textiles, Inc.
Swift Textiles (DISC) Corporation
Textile Fibre Associates, Inc.
Thermasol, Ltd.
Titan Wood Products Limited
Tri-W Corporation
Union Electric Company
Unity Oil Inc.
Universal Health Services, Inc.
U.S. Windpower, Inc.
Vantor Realty Ltd. (Canada)
Vetements En Vogue Ltee.
Volunteer Tool & Die Co.
Wadsworth Control Systems, Inc.
Welsback Concrete Systems Corp.
Wenzel Company, The

Western Pennsylvania Water Company
Wintor Realty Ltd. (Canada)
Cliffwood Energy Company
Executrans, Inc.
Greenbriar Mall Venture
Jackson Properties
Kro-Mar Associates Limited Partnership
North Shore Square Associates
Safe-T-Lawn, Inc.
Sears, Roebuck Servicios de Chile Limitada
Seras, Roebuck de Venezuela, S. A. (Venezuela)
Universal-Rundle Corporation
Valdosta Mall Assoc.

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No. 82-831

IN THE

Supreme Court of the United States

OCTOBER TERM, 1982

BRUCE A. KOCK,

Petitioner,

–VS.–

THE QUAKER OATS COMPANY, et al.,

Respondents.

ON PETITION FOR WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

RESPONDENTS' BRIEF IN OPPOSITION

The Petition in this case, received November 19, 1982, is based solely on a claimed conflict between the decision of the Ninth Circuit and a decision of this Court. None of the other Rule 17 grounds, such as a conflict with a decision of another federal court of appeals or the presence of an important question of federal law, are asserted. Respondents F.W. Woolworth, Inc., Toys "R" Us, Inc., Carter Hawley Hale Stores, Inc., Sears, Roebuck and Co. and Longs Drug Stores, Inc.[1] submit that no

[1] The patent infringement counts at issue on appeal were dismissed as to the remaining named defendants in view of either the lack of venue or the failure of Petitioner to effect service thereon. The Rule 28.1 listing with regard to Respondents is contained at pages ii-viii.

conflict is presented with a decision of this Court, that nothing about this patent case warrants review by this Court, and that the Petition should accordingly be denied.

CORRECTED STATEMENT OF THE CASE

Petitioner misstates or omits several key facts found by the courts below.

First, the Manufacturing Agreement dated April 28, 1967 (more than one year prior to the effective date of application of the patents in suit, May 3, 1968), in paragraph 1 thereof, contains unequivocal language of sale of all rights to Petitioner's "invention". (A-2, n. 1).[2]

Second, on April 28, 1967, Petitioner unconditionally sold and delivered to the purchaser of his invention a fully operative prototype watch which had been completed in December, 1966. The prototype watch corresponded precisely to the structure shown in the drawings of the patents in suit, described in the specifications of the patents in suit and claimed in the claims of the patents in suit, and represented a reduction to practice of the "invention" claimed in the claims of the patents in suit. (A-1, n. 1, par. 2; SA-3, par. 8).

Third, the Manufacturing Agreement of April 28, 1967, which sold Petitioner's invention and prototype, contains no limitation whatsoever over the purchaser's "full dominion over the invention", the Petitioner having "waived all control over the future course of the invention." (A-2-3, n. 1; A-18-19). Contrary to Petitioner's representation, there is no reference to "secrecy" in the Agreement.

Fourth, at least as early as January 10, 1967, Petitioner furnished to his patent attorneys a full disclosure of his "invention", which corresponded to the specifications, claims and drawings

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[2] Reference is to the decision of the Ninth Circuit contained in an Appendix forming a part of the Petition. The decision of the District Court below is contained in a separate Appendix submitted by Petitioner, which will be cited as "SA-_".

of the patents in suit. Petitioner withheld the filing of the application leading to the patents in suit until May 3, 1968 for the express purpose of extending the term of his monopoly. (SA-3, pars. 6 and 7). This finding is based on Petitioner's explanation for the delay in filing the patent application that:

> It's my policy then and now not to patent anything until I need to, because--or to make a disclosure until I need to, because that gives a patent a longer life.

REASONS WHY THE WRIT SHOULD BE DENIED

1. There Is No Conflict Between The Decision Of The Ninth Circuit And A Decision Of This Court

The Petitioner claims that the decision of the Ninth Circuit conflicts with and misinterprets this Court's decision in *City of Elizabeth v. American Nicholson Pavement Co.*, 97 U.S. 126 (1878). *City of Elizabeth* is often cited as the source of the experimental use exception to the on sale doctrine under 35 U.S.C. 102(b). In that case, this Court repeatedly states the test for experimental use, as requiring that such use be under the direction, supervision or control of the inventor:

> The use of an invention by the inventor himself, or *of any other person under his direction*, by way of experiment, and in order to bring the invention to perfection, has never been regarded as such a [public] use.

Id. at 134. (Emphasis added).

> So long as he does not *voluntarily allow others to make it and use it*, and so long as it is not on sale for general use, *he keeps the invention under his own control*, and does not lose his title to a patent.

Id. at 135. (Emphasis added).

> Still, *if used under the surveillance of the inventor*, and for the purpose of enabling him to test the ma-

> chine and ascertain whether it will answer the purpose intended . . . .

Ibid. (Emphasis added).

In *City of Elizabeth*, this Court explained the need for a public use and on sale rule such as is now contained in 35 U.S.C. §102(b), as preventing the inventor from acquiring "an undue advantage over the public by delaying to take out the patent", since such a delay would serve to "preserve the monopoly" to the inventor "for a longer period than is allowed by the policy of the law . . . ." *Id.* at 137.

That the essence of experimental use is direction, supervision or control over the experimentation was made clear by this Court in *Egbert v. Lippmann*, 104 U.S. 333 (1881), wherein this Court stated:

> If an inventor, having made his device, gives or sells it to another, to be used by the donee or vendee, *without limitation or restriction, or injunction of secrecy*, and it is so used, such use is public, within the meaning of the statute, even though the use and knowledge of the use may be confined to one person.

Id. at 336. (Emphasis added).

Consistent with the foregoing, and in reliance thereon, the Ninth Circuit found that:

> If the buyer has the authority to use an invention commercially or sell it to others without regard to any duty to experiment further, there is a sale within section 102(b), and the exception for experiment does not apply. . . . In the case of an actual sale, the issue is what use the buyer *might make* of the invention. If a sale of an invention made before the critical date allows the buyer the possibility of nonexperimental use, any patent obtained will be invalid under section 102(b).

(A-12-13).

In the instant case, the Ninth Circuit found that the Manufacturing Agreement "must be interpreted to permit . . . [the purchaser] to exercise complete control over commercial use and exploitation of the invention, without any obligation to experiment. . . . The agreement at issue here . . . makes clear that the inventor waived all control over the future course of the invention." (A-18-19). For this reason, the Ninth Circuit found a sale of the invention, a sale which the District Court had found was for the express purpose of wrongfully extending the monopoly contrary to the policy embodied in Section 102(b).

Not only is the decision of the Ninth Circuit consistent with the early decisions of this Court, it is consistent with the rule followed by the newly established Court of Appeals for the Federal District. *Application of Dybel*, 524 F.2d 1393, 1399, 1401 (C.C.P.A. 1975).[3]

The rule as enunciated by this Court and followed by the Ninth Circuit is fully consistent with the public policy of the patent law. The rule does not discourage experimentation, but merely encourages the timely filing of patent applications once the invention passes out of the control of the inventor, to thereby insure that the patent monopoly is not extended beyond its intended term. All that the inventor or the purchaser need do to avoid the consequence of Section 102(b) is to file an application for patent within a year of the "sale". Petitioner, having failed to do so, cannot claim the benefit of the patent laws for his invention.

2. This Case Is Not Appropriate For Review By The Supreme Court

This is an ordinary patent case presenting no issue worthy of review by this Court. In reality, Petitioner is complaining that the courts below found that he had not met his burden of

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[3] The new Court of Appeals for the Federal Circuit has announced that it will treat the holdings of its predecessor courts, the United States Court of Claims and the United States Court of Customs and Patent Appeals, as binding precedent. *South Corp. v. U.S.*, _ F.2d. _, 215 U.S.P.Q. 657, 658 (Fed. Cir. 1982).

proving experimental use. (A-19). *Smith & Griggs Mfg. Co. v. Sprague*, 123 U.S. 249, 256 (1887); *Application of Dybel*, 524 F.2d, *supra* at 1400.

Congress has now vested exclusive appellate jurisdiction over patent cases in the new Court of Appeals for the Federal Circuit (CAFC). 28 U.S.C. §1295 *et seq*. The CAFC can be expected to resolve open questions and disputes in patent cases, where they exist. It is submitted that the law pertinent to "experimental use" as applied to the facts in this case is clear. However, uncertainties, if any, are better left to the CAFC for resolution. Action at this time by this Court is unnecessary.

CONCLUSION

The decision of the Ninth Circuit denying Petitioner's claims is manifestly correct. No conflict between that decision and any decision of the Supreme Court has been demonstrated. Accordingly, it is respectfully submitted that the Petition for writ of certiorari should be denied.

Respectfully submitted,

By: _____

Lawrence Rosenthal
Attorney for Respondents
BLUM KAPLAN FRIEDMAN
SILBERMAN& BERAN
730 Third Avenue
New York, New York 10017
(212) 867-2200

Dated: New York, New York
December 16, 1982